UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

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| IN RE: | . | Case No. 00-3837 |
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| OWENS CORNING, et al., | . | 5414 USX Tower |
| | . | 600 Grant Street |
| Debtors. | . | Pittsburgh, PA 15219 |
| | . | |
| | . | June 23, 2006 |
| . . . . . | . | 9:32 a.m. |

TRANSCRIPT OF HEARING
BEFORE HONORABLE JUDITH K. FITZGERALD
UNITED STATES BANKRUPTCY COURT JUDGE

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| | Owens Corning<br>By: STEPHEN KROLL, ESQ. |
| Audio Operator: | Cathy Younker |

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THE COURT: You're all here for Owens, right?

(Pause)

THE COURT: Good morning. Please be seated. This is the matter of Owens Corning, Bankruptcy Number 00-3837, pending in the District of Delaware. The participants I have listed by phone, Marti Murray, Howard Ressler, William Sudell, Andy Chang, Stephen Vogel, Christine Jagde, Francis Monaco, John Elstad, Christine Daley, Edward Leen, Teresa Currier, Eric Kay, Denise Wildes, John Christy, James Gibb, Kate Stickles, Dallas Albaugh, Sharon Zieg, Judy Liu, Rebecca Butcher, Mark Hurford, Peter Lockwood, Eric Sutty, Mitchell Sussman, Hadley Van Vactor, Nathan Chaney, Oliver Butt, Jay Lifton, Bruce White, Marc Casarino, Joseph Gibbons, Gordon Harris, James McClammy, and John Shaffer. I'll take entries in Court, please.

MR. PERNICK: Good morning, Your Honor. Norman Pernick from Saul Ewing, for the debtors.

MR. NEAL: Good morning, Your Honor. Guy Neal, Sidley Austin, for the debtors.

MR. STEEN: Good morning, Your Honor. Jeffrey Steen, S-t-e-e-n, also of Sidley Austin, on behalf of the debtors.

MR. RAICHT: Good morning, Your Honor. Geoffrey Raicht, Sidley Austin.

MR. KRESS: Good morning, Your Honor. Andrew Kress, Kaye Scholer, on behalf of the futures rep.

MR. KRUGER: R. Lewis Kruger, Stroock & Stroock &

Lavan, on behalf of various bond holders.

MR. LAWRENCE: Good morning, Your Honor. Brett Lawrence, Stroock & Stroock & Lavan, on behalf of various bond holders.

MR. PASQUALE: Ken Pasquale from Stroock & Stroock & Lavan for certain bond holders.

MR. KLAUDER: Good morning, Your Honor. David Klauder for the United States Trustee.

MR. THOMPSON: Good morning, Your Honor. Mark Thompson, Simpson Thacher, for JP Morgan Securities. With me is Alice Eaton, also of Simpson Thacher.

THE COURT: Mr. Pernick?

MR. PERNICK: Your Honor, we actually have two items. We didn't officially put the first one on the agenda because we didn't think the Court was asking for further argument.

THE COURT: No.

MR. PERNICK: I think you saw all the submissions.

THE COURT: I did.

MR. PERNICK: But I would suggest -- I don't know how the Court wants to handle that one.

THE COURT: I'm ready to give you a ruling on --

MR. PERNICK: Okay.

THE COURT: -- on the Plan Support Agreement. All right. The Plan Support Agreement I have concluded, after very careful review and discussion with my law clerk, both as to the

terms of the agreement and the cases that we were able to find and look at from the submissions of the parties, I have determined that the Plan Support Agreement is not a solicitation, and therefore the issues that I was concerned with with respect to a disclosure statement and its review are not applicable at all, but let me go through the rationale that I have arrived -- that let me to this conclusion.

First of all, cases define the act of solicitation very narrowly. One case goes so far as to say that the solicitation has to be in the context of a specific request for an official vote. That's the Zentex GBV Fund case at 19 Fed. App. 238 at 247-48. It's a 6th Circuit 2001 case. Of course, in this instance this Plan Support Agreement is clearly to a request for an official vote. There is no ballot, no plan.

Cases also point out the difference between the solicitation and negotiation processes, and recognize that communication between creditors and between the debtors and creditors is crucial to effectuate the goal of the Bankruptcy Code, and that goal, in this instance, the one I'm speaking about, is to achieve consensual resolution of disputes. The Dow Corning case, the Gulph Woods case, and others identify that process and make that distinction.

Here, the Plan Support Agreement is an effort to settle what I think can fairly be called extraordinarily complex litigation, the equitable subordination actions, the

estimation of asbestos personal injury claims, and the fraudulent transfer adversary that's pending in the District Court. Debtors have now been in bankruptcy for over six years, and in that time there has been shifting sands in terms of who holds the blocking position for plan treatment in several classes. The parties have engaged in years of discovery, weeks of trial, and months of appeals, and all the while trying to preserve -- the debtors have been trying to preserve their core businesses and resolve the legacy liability to the satisfaction of the asbestos personal injury claimants.

I think the plan proponents are in a very difficult situation here. They want to propose a plan that meets the consent of all constituents, but determining who the constituents are is a daily changing task. In addition, unless the various litigation is settled, the appeals could stymie confirmation for more years to come. With the automatic stay in place, in that entire time no resolution will occur of the merits of any pre-petition claim, especially those of the asbestos PI claimants who cannot pursue the debtors' assets, but also those of the holders of the bank and bond debt. Meanwhile, interest continues to accrue on the secured portion of the debt, all of which means that there will be less available to the unsecured creditors and tort claimants ultimately. It's time for these debtors to leave bankruptcy behind them, emerge from Chapter 11, and go on with the

successful business lines that they have achieved for decades, so the question is how can the debtors accomplish the goal of emerging without first ascertaining the positions of the creditor constituents regarding the plan? Because successful as the debtors' businesses are, they do not generate sufficient cash -- or, pardon me, let me restate that. They do not have sufficient cash on hand today to be able to pay the $7 billion in tort claims, the $1.8 billion in bond debt, and I have forgotten the exact number of the bank debt. I think it's upwards of $2 billion at this point. Is that correct, Mr. Pernick?

MR. PERNICK: With interest and fees it's a little above 2.3.

THE COURT: All right. $2.3 billion of bank debt. To successfully do that the debtors need the inflow of cash, and that is what the debtors hope to attain through the equity commitment motion that's also set for hearing today. With an enterprise value of $5.858 billion, the debtors obviously need additional capital to pay the claims more than those claims would achieve in a Chapter 7 liquidation. And, of course, JP Morgan has a substantial interest in making sure that when it commits its $2.187 billion for the purpose of providing that equity backstop, that the creditors are actually going to support the debtors' efforts to reorganize in this fashion.

To achieve the consensual resolution of all of these

complex issues, find the funding for a plan, and emerge from Chapter 11 with a confirmed plan, the parties have crafted a settlement agreement in the form of the Plan Support Agreement and presented to the debtors their view of what a plan must contain in order to gather their support. The debtors have 3expressed the intent since the beginning of this case to achieve a consensual plan. Now the debtors have that opportunity. That is the essence of negotiation, not of solicitation.

The agreement is contingent on the debtors filing a disclosure statement and plan that meets with the consent of the participants to the Plan Support Agreement. If those documents do not meet with the constituents' satisfaction, they are not committed to vote for the plan. Credit Suisse, as agent for the banks, is not a party to the plan support agreement, but has nonetheless also submitted a response supporting it.

This, in the Court's view, is a major accomplishment toward confirmation because one of the stumbling blocks throughout this case has been the absence of agreement between the banks and the bonds as to their respective treatments under the plan. The parties have attempted to resolve those differences in a variety of ways, through mediation, through settlement discussions with the Court, through litigation and appeals. Now an agreement has the chance of coming to light

and of remaining in place due to the trading conditions that the parties agreed to if the Plan Support Agreement is approved. The participants to the Plan Support Agreement and Credit Suisse are highly sophisticated, well represented parties in interest. They all have counsel, financial advisors, investment advisors, and those with financial trading arms actively participate in the market for Owens bond and bank debt. After six years of bankruptcy with years of discovery on virtually every aspect of the debtors' businesses, these parties probably don't even need a disclosure statement to inform their ability to vote. But, of course, the negotiations have taken place in light of the fact that the Court did approve a disclosure statement two years ago, and although plan classifications and treatment of some creditor groups has changed due to the reversal of the substantive consolidation ruling, the parties, through their counsel, know all there is to know about the debtors and how the debtors' operations have changed in the two years since the disclosure statement was approved. This is a publicly traded company. There are publicly filed documents. Bargaining after approval of a disclosure statement is clearly appropriate.

There is, of course, need to approve a disclosure statement that comports with the plan that the debtors will advocate for confirmation, and other parties who are not parties to the Plan Support Agreement will need that

information. Further, no vote will be permitted until a disclosure statement that comports with the plan offered for confirmation has been approved. If the disclosure statement and plan proffered for confirmation contain materially different treatment for the classes, then the Plan Support Agreement sets out the parties are not bound to vote for the plan. There is nothing in the Plan Support Agreement that demands or solicits a vote unless the plan proposed meets with the satisfaction of the Plan Support Agreement parties. And those parties have put together in the Plan Support Agreement the information that tells the plan proponents what the parameters of the plan must be to achieve the favorable vote of the creditors who are parties.

The Plan Support Agreement is the written memorialization of the negotiations towards settlement of the legal disputes that have prevented confirmation to date, and of the negotiations toward confirmation of a plan, and that is not the solicitation of a vote. There are no cases that the Court or any party has found that address whether the disclosure statement that the Court approves before solicitation has to be that accompanying the plan that is out for vote; however, I do not need to decide that question today. Here there was no solicitation of any plan. I do note, however, that the sixth amended plan, which is coming up for disclosure statement and confirmation -- let me state that again. I note that the sixth

amended plan and the disclosure statement accompanying that plan had not been filed when the Plan Support Agreement was negotiated. The parties were, in fact, negotiating to arrive at the consensual terms of that plan. The cases approve of negotiation and they are clear that negotiation and settlement do not constitute solicitation in violation of the Bankruptcy Code.

To the extent that there is a fine line between negotiation and solicitation, that line is not crossed here. An order will be entered approving the debtors' request to enter into the Plan Support Agreement.

MR. PERNICK: And, Your Honor, we'll submit a form of order. We still have to finish working out Century's language just for the reservation of rights, which we got, but unfortunately a lot of us were traveling here yesterday, so we'll do that after the hearing.

THE COURT: All right. I'll take it when I get it on a C.O.C. Thank you.

MR. PERNICK: Thank you. Your Honor, the next item is actually Item Number 1 on the agenda that went to the Court, which is the motion to enter into the Equity Commitment Agreement and Guy Neal from Sidley is going to present that.

MR. NEAL: Good morning, Your Honor. Guy Neal, Sidley Austin, co-counsel for the debtors. Your Honor, we're here today on the debtors' motion for an order pursuant to

Section 105(a), 363(b), and 1125(e), for authority to enter into the Equity Commitment Agreement dated May 10th, 2006 between Owens Corning and JP Morgan Securities, Inc. in the form attached to the motion as Exhibit A, pay the related fees and expenses, and furnish certain related -- and what we submit are standard indemnities.

Also seeking approval as part of this order, Your Honor, is approval of the syndication agreement dated May 10th, 2006, in the form attached as Exhibit B to the motion that was executed by and between the investor, D.E. Shaw Laminar Portfolios, Plainfield Special Situations Master Fund Limited, and certain other investor parties. They are referred to as ultimate purchasers and we seek the Court's approval of that agreement as well as a related document to the Equity Commitment Agreement.

Your Honor, only one objection has been filed and we take that objection very seriously, by the Office of the United States Trustee, and with the additional time associated with the movement of this hearing from January 13th to today -- excuse me -- from June 19th to today, we have met with Mr. Klauder of the U.S. Trustee's Office. We have tried to address, in our best efforts, all of his concerns, and Mr. Klauder will speak today, of course, as to his objection.

Yesterday, Your Honor, as you know, we filed a motion for leave to file a reply brief, which I believe Your Honor

kindly granted, and we limited our reply as rules require, to five pages, which was a feat in and of itself, Your Honor.

THE COURT: But said everything it needed to say.

(Laughter)

MR. NEAL: Very good. We appreciate that. This was not to be an evidentiary hearing back on the 19th, but in any event we submitted the declaration -- two declarations, in fact, and JP Morgan submitted one declaration, to pinpoint, target, and address the very specific concerns raised by Mr. Klauder in his objection. So, what we have is, we have the declaration of Mr. Stephen K. Kroll, Senior Vice President, General Counsel, and Secretary of Owens Corning. We also have a declaration, a little bit longer than Mr. Kroll's declaration, but important nonetheless, of Robert Kost of Lazard, the debtors' financial advisors, both of which address the negotiations, often contested, often heated, and certainly burning midnight oil associated with the negotiation of the Equity Commitment Agreement, as well as the debtors' business judgment that this is the best deal the debtors were able to negotiate under the very specific facts and circumstances of this case.

Now, Your Honor, I believe we have the agreement of the U.S Trustee on this point, and we'd like to proceed as follows, if it makes sense to Your Honor. We would like to have those declarations submitted as the proffer of the direct

testimony of these two witnesses. And I believe Mr. Klauder has no objection to that. And Mr. Klauder certainly has the right to cross examine should he feel that that is necessary.

THE COURT: Mr. Klauder, is there any objection to my accepting the declarations as the direct case of the --

MR. KLAUDER: No, there is not.

THE COURT: All right. I will accept the declarations of Mr. Kost from Lazard and Mr. Kroll from Owens Corning as proffered. And do you want to finish your recitation first before I see if there's --

MR. NEAL: Sure, Your Honor -- I'm sorry. I cut you off. Before?

THE COURT: There is cross examination?

MR. NEAL: Yes, Your Honor. If you would?

THE COURT: All right.

MR. NEAL: I appreciate that. And let me stress -- of course, Your Honor, that we have both Mr. Kroll and Mr. Kost in the courtroom today to effectuate the cross examination. They're not by phone. They're here in person, and are willing to address any questions Mr. Klauder or the Court may have. Let me briefly, Your Honor, turn to the evidence that's set forth in these declarations, and then address the United States Trustee's concerns. First, as set forth in fair detail in the declaration of Stephen Kroll, it's the debtors' business judgment reached after consultation with Lazard, their

financial and restructuring advisor, as well as, and this is important, Your Honor, as well as the debtors' co-plan proponents and every other key creditor constituency in these cases that the Equity Commitment Agreement is a critical and integral component of the debtors' Chapter 11 cases, which has been documented in the settlement term sheet and which is reflective in some part in the Plan Support Agreement that Your Honor is now very familiar with, and as well as the sixth amended plan that was on file earlier this month. As set forth in Mr. Kroll's declaration, the Equity Commitment Agreement largely removes the potential risks and uncertainties of the capital markets, mitigates against the financial impact of the cyclicality of these businesses, and provides the claimants that have reached the settlement as set forth in the Plan Support Agreement and the plan. It provides them adequate assurance that the sixth amended plan is or will be feasible. For this reason, Your Honor, the motion has the support of the $7 billion in asbestos claimants subject to a response that was filed by Mr. Kress, as well as approximately 1.5 million of the bond holder claims, and every other major stakeholder in these Chapter 11 cases. Indeed, no claim holder or equity holder, Your Honor, has objected to the merits of the relief that the debtors seek today.

Second, Your Honor, as set forth at fair length in the declaration of Mr. Kost of Lazard, that this Equity

Commitment Agreement and the terms and conditions of it fall well within the four corners of backstop commitments that this Court has approved and that other Courts have approved. And real brief, Your Honor, I won't read, you know, verbatim, and take the Court's time, but real brief, in the declaration of Mr. Kost, it sets forth, specifically in Paragraphs 11, 12, and 13, that the terms and the condition of the Equity Commitment Agreement were heavily negotiated at arm's length between the debtors and the investor and the key variables that Lazard and the debtors and the other parties negotiated with the investor were the period of the time commitment, the conditionality of the time commitment, including what else would apply to it, strike price for the rights offering, and the amount and the nature of the commitment fee and the related fees and expenses.

In paragraph 14 of Mr. Kost's declaration it is Lazard's opinion, certainly shared by the debtors, that the combination of a lengthy commitment period, a firm backstop price, and a firm underwritten backstop commitment makes the terms of the Equity Commitment Agreement no less favorable than the backstop commitment provided in the USG Corporation Chapter 11 case, and largely unprecedented and underwritten rights offering of the size and the complexity of the one contemplated here. The Equity Commitment Agreement as negotiated provides the debtors with extraordinarily high level of assurance that they will ultimately raise and receive the equity capital

necessary to make the payments under the sixth amended plan.

And lastly, Your Honor, in terms of what the declarations say and what I'm trying to underscore, Your Honor, in part, is that in Lazard's opinion the amount and the nature of the backstop and related fees and expense reimbursement undertakings and the other terms are fair and reasonable given the significant benefits to the debtors, the strength and time period of the commitment by an entity such as JP Morgan, and a comparison to other underwritten rights offerings, including USG, as well as the volatility, risks and uncertainty associated with the capital markets, as well as the cyclicality of the debtors' business.

I will now turn my presentation and try to be brief with respect to responding to the anticipated objection or some points raised by the Office of the U.S. Trustee. Now, we've had the opportunity, given an extra few days to put this hearing together, to have a conference call, about an hour, with the Office of the U.S. Trustee to walk the Trustee through some of these economic points and why this deal, we would submit, although USG does not have to be the template that this deal, in many respects, is superior to USG in terms of what we were able to negotiate with JP Morgan in this environment.

Now, even if you accept that USG is an apples to apples comparison --

THE COURT: Well --

MR. NEAL: Yes.

THE COURT: -- let me start this. I am very familiar with the USG equity commitment backstop offering, since it took place in my Court. I do not see that the two cases are in a parity for a number of reasons. First of all, USG was advocating 100 percent plan for all creditor constituents except the asbestos PI creditors with interest, and that plan was already on the table and set for confirmation in a very short period of time at the time that the backstop offering was going forward by the parties. I don't think the plan itself had been set for confirmation. I think the timing -- that what I'm trying to get to is that the short timing involved in that equity rights commitment letter led to an immediate confirmation hearing, and in fact, the case is already confirmed. So, I think the timing issues were significantly different. In addition, Berkshire Hathaway was a major shareholder of the debtor and had some additional incentives, perhaps, to come up with the agreement in the fashion that it did. I am also aware, from that case, as well as the declarations submitted in this one, that there is a significant difference between the regulatory forces facing Berkshire Hathaway and JP Morgan as the offeror of this particular agreement. So, I don't think that they are on a parity for those reasons. There are some issues, however, that I think should be addressed, and I'm not totally comfortable that they

are addressed, as well, in Owens. In that case, not having the fees and expenses reviewed by the Court seemed somewhat less of a concern to me because of the fact that everybody was being paid 100 percent on the dollar with interest and the effective date of the plan was expected to be in a very short time thereafter. I don't know yet because this plan hasn't come up in that kind of a context, whether Owens is in the same position. And I don't know how I'm going to get to confirmation without getting some assurance in this case that the fees and expenses are reasonable, and I don't know how I'm going to get that assurance unless I see them. So, I am a little bit concerned about the fees and expenses in this context. I don't even know what they are. I don't know how I'm going to judge that they're reasonable.

MR. NEAL: Very good, Your Honor. Let me address that specific point. I mean, it certainly is a requirement here under the ECA that the fees and expenses both be non-refundable and the professional fees, which is what Your Honor's point is that they be -- they be paid as part of the deal. Your Honor, this is all a matter of negotiation, and on the one hand you could say --

THE COURT: Regardless, there is a confirmation issue that says I need to make a finding and I don't know how you're going to have me make that finding without telling me what they hare and submitting those fees and expenses to the Court under

the conditions of this case.

MR. THOMPSON: May I speak?

MR. NEAL: Certainly.

MR. THOMPSON: For the record, it's Mark Thompson of Simpson and Thacher. I suspect it's mostly my fees that we're talking about, so I thought I should step up, Your Honor. Your Honor, I've already spoken to the U.S. Trustee just before Your Honor took the bench, and we have no objection in submitting our invoices and the backup detail to whatever protocol there is in this case for paying fees, you know, just like a DIP lender would do in any other case, you know, with -- this is just an equity version of a, you know, exit financing. We're happy to do something like that. I note -- and I think the U.S. Trustee has no objection, I haven't, in anticipation of that, prepared our time records and, you know, fee application guideline conformance, but I am happy to provide whatever detail we would ever provide to a client, you know, to Your Honor or to whatever system Your Honor wants to set up.

THE COURT: All right. Thank you. That will help.

MR. NEAL: And perhaps Mr. Pernick can address -- we already have a mechanism in place that Mr. Pernick is very well familiar with respect to the banks' fees, and that process --

MR. PERNICK: Your Honor, and we just had this thought while we were talking before the hearing. You may recall that under the bank standstill agreement the banks

actually submit their attorneys and financial advisor fees to the debtors and they are reviewed. I can't recall whether anybody else gets a copy, but I don't think that would be an issue.

THE COURT: No, but before we get to confirmation somebody is going to have to tell me what those fees are --

MR. PERNICK: Right.

THE COURT: -- because I'm going to have to determine that they are reasonable, too, so --

MR. PERNICK: Absolutely. Well, there will be --

THE COURT: -- it's the same issue.

MR. PERNICK: That issue has already been anticipated in that there has to be agreement on what the final number for the banks is. Of course, the Court has to approve that, so -- but we would be happy to do the same mechanism, and I think the Court may recall that Owens Corning's legal department actually has a review process that meaningfully goes through these bills, questions its every advisor, every lawyer, every financial advisor, so there is a process that's already in place, and if I recall correctly, I think that's what got Your Honor comfortable with the bank standstill procedure.

THE COURT: That was it. But for confirmation purposes we still need to go the next step.

MR. PERNICK: Not a problem.

THE COURT: All right. Well, it appears -- I'll hear

from Mr. Klauder if there is a concern about that process when he speaks later, but at least from -- for my concern right now I think at least this is a workable issue.

MR. NEAL: Okay. Very good, Your Honor. Unless Your Honor has any other specific concerns that you'd like me to address first, let me just go through some of the issues raised by the U.S. Trustee in our response, and which we tried to put forth in our five-page reply. Next we just talked about the magnitude of the $100 million backstop fee. As set forth in the declaration of Mr. Kost, you know, that amount of fee, that fee, 100 million backstop fee, is not unreasonable under the circumstances of this case. Again, Your Honor has pointed out the differences between this case and USG, and that the USG percentage shouldn't be necessarily used as the ceiling for this deal. Indeed, there are other backstop commitments that have been approved by other Courts in which the fee was higher than the fee being sought here. And again, with USG, just sticking with that for now, we don't have a Warren Buffett willing to backstop 2.187 billion in this instance. You know, no other single investor or group of investors has come forward willing to provide an alternative or superior backstop arrangement. This has been out. My math I don't have in front of me, but this motion has been on file since May 10th, and we have over a 40 day period in which this has been out in the marketplace and public. We have in the declarations of Mr.

Kost as well as Mr. Kroll, you know, a detailed explanation of how the debtors and Lazard have made themselves available to any parties wishing to discuss this arrangement, wishing to submit a competing proposal. No party has put forward a formal expression of interest, and certainly no party has come forward through today, as of now in this hearing, willing to do it under any different terms for any less amount of money. So, in this regard, you know, based on information provided to Owens Corning by Lazard, the fees contemplated are well within the range of similar fees and are certainly market, Your Honor, which is an important consideration.

The Trustee makes an issue concerning the escrow, and really what arguably could be semantical in many respects of what is an escrow? Does this escrow that we propose that exists on an economic and regulatory basis, whether that compares or is equal or is on par with the USG escrow arrangement. Your Honor, we submitted, unfortunately after the 12 noon deadline yesterday, but nonetheless, Your Honor, we did our best efforts to submit a declaration or have JP Morgan, I should say more accurately, submit a declaration on point with the escrow consideration. And as, Your Honor, as we set forth in our papers, there is tantamount under the rules and regulations of the SEC and the Federal Reserve, a requirement that JP Morgan, once this order is approved, allocate 100 percent of that money towards this deal such that they have

opportunity cost concerns of having this money tied up that was the same concerns that this Court really focused on in the hearing in February in USG and for that reason, we submit, what flows from that is the irrevocable nature of the fee. They are agreeing, JP Morgan, the investor, to tie up a significant amount of money on a regulatory basis on their books and records for a comparatively longer period of time, and not only with the risks associated with this deal which we address, and I can touch upon briefly, but the length of that time, we submit, that the irrevocable nature of that fee is also reasonable in this context.

Turning to the release and exculpation provisions, I'll be brief on this, Your Honor, I believe we have been successful in addressing the U.S. Trustee's concerns with respect to the release and exculpation provisions in this order. As Your Honor is well aware, given several of the voting procedure motions that have been on file, and statements, and representations made in the plan and disclosure statement, we're proposing a rights offering effective pre-confirmation, Your Honor. And whereas if you, again, use USG as a comparison, those release and exculpation provisions came in the confirmation order with the rights offering to follow. Here we're proposing similar release and exculpation provisions, again with the rights offering to follow. We submit that that's standard in the other backstop agreements

that we have reviewed, either JL French, Intermet, or certainly in USG. And I believe, again, we have addressed the U.S. Trustee's concerns in that issue.

A couple more points, Your Honor, and then I'll sit down and turn this over to Mr. Klauder or the other plan proponents who might want to say something in support. There is the issue of the syndicate structure. Again, I believe we've addressed the U.S. Trustee's concerns in that regard. We have carefully walked the U.S. Trustee's Office through the nature of the agreement and underscored how this is an agreement -- and we do this in the reply as well, as Your Honor is familiar, between the debtor and JP Morgan only. JP Morgan takes the entire risk in the first instance and is liable to the company for the full backstop amount, and we believe and we have confidence, and this is set forward in Mr. Kost's declaration, that, you know, relying on the good faith and creditworthiness of JP Morgan is certainly a very reasonable thing for the debtors to do in this instance.

This morning, Your Honor, unless Mr. Klauder says otherwise, we might have been able to, you know, convince Mr. Klauder with respect to the commitment, the outs, or in some nomenclature they're called, you know, hell or high water commitments associated with this deal. Your Honor, this is a very similar deal to USG, even accepting that as an apples to apples comparison, but it's very similar in terms of the

limited ability of the investor in this instance to back out of this deal. Importantly, there is no material adverse change clause either from a business or operational perspective of Owens Corning should, God forbid, something happen in the near term, or in terms of the market generally. That is, there are no triggers that would allow, or floor that would allow JP Morgan to back out should the market continue what we have submitted in certain -- in our declaration and exhibits, continue a downward trend in the building product sector. So, we have -- I would not go so far as to use the nomenclature hell or high water, because that's been defined differently in different contexts, but we have a similar arrangement, a very firm backstop commitment of JP Morgan that we believe is reasonable in this marketplace.

Lastly, Your Honor, and we put this at the end of Mr. Kost's declaration. We addressed this in our reply. The parties and the other -- the parties in this case, the debtors and the other key constituents can't ignore the fundamental economics of the marketplace these days. We have submitted a series of exhibits attached to the back of Mr. Kost's declaration which show the performance of the stock prices in the housing sector companies and the declines, fairly steep declines, Your Honor, I mean, to the extent you were a patient in a hospital you would not want this to be your chart hanging on your door reflecting the percentage decline in building

sector companies comparable to Owens Corning. And, Your Honor, you can slice this many different ways. I mean, you can look at it in a six month window. You can look at it in a three month window. But really all you need to do is look at it since May 10th, and the declines associated from May 10th to today in the market with these building sector stocks, the percentage decline is about 20 percent, Your Honor. For that reason, Your Honor, the deal we struck, we submit, has been affirmed, not only from a business judgment standard, but by any standard a being a great deal, and a timely deal for these cases such that, Your Honor, the market has changed dramatically. We do not want to be in a position, Your Honor, to have to renegotiate that deal, which is set to expire unless an order is entered on June 30. So, the market has spoken, Your Honor, to sum up, that this is a reasonable deal. This is a good deal for the estates, and it will put us on a path, on the expedited time track consistent with the sixth amended plan to emerge from bankruptcy, hopefully in the third quarter of this year.

THE COURT: Any of the other plan proponents wish to address this?

MR. KRESS: I do, Your Honor.

THE COURT: Mr. Kress?

MR. KRESS: Perhaps I think I'd like to wait until the U.S. Trustee speaks.

THE COURT: All right. Mr. Klauder?

MR. KLAUDER: Thank you, Your Honor. David Klauder for the United States Trustee. It's nice to make my first trip to Pittsburgh and to this courtroom, no matter how long it took me to get here last night. Your Honor, I want to make a few --

THE COURT: People had trouble getting home, too, Mr. Klauder, if that's any consolation.

MR. KLAUDER: I guess I'd better cancel my dinner plans. I wanted to make a few comments about our objection and then the presentation and the evidence put forth by the debtors to sort of put some context around the pleading that we filed. I want to make it abundantly clear that the U.S. Trustee was not looking to, quote, unquote, blow up this deal. We understand the impact of the deal and the importance of forging the consensus to get to confirmation.

We felt we would not be complying with our statutory duty if we did not closely review the transaction, especially when you're dealing with the payment of $100 million commitment fee on an unconditional non-refundable basis. The payment of such a large amount has to be scrutinized not only by the economic parties which it appears it has, but also by our office, and of course the Court. We felt that the recent transaction in the USG case provided guidance to the Court, and we can look toward those terms and the Court's decision not necessarily as a barometer, but as guidance. Contrary to what

the debtor stated in their reply, we are not looking at the USG deal as a one-size-fits-all transaction, but as we so often do as lawyers, we look towards other cases to see if similar transactions occurred and compare those to the particular transaction that is happening in the case. We also feel it's important to look at different cases and similar transactions because the debtor does have a burden to meet here, and to do so would help in determining whether the debtor has met its burden.

We felt USG especially instructive because it was a very recent case in front of Your Honor here in the District of Delaware, not necessarily here, but in the District of Delaware, and a similar type of bankruptcy case in the sense of a mass tort asbestos bankruptcy case. In our objection we highlighted three major differences with the USG deal that we felt were particularly important in that case and to the Court's decision to approve the USG deal. In the time frame from which the equity commitment motion and agreement was filed and from when our objection was filed we were able to discuss these issues with the debtors in a meaningful way, both in a lengthy conference call and in other phone calls and in a meeting prior to Court today that certainly provides comfort to our office as to the deal that is going forward.

Those particular provisions or those particular differences were as follows. Number one, the no escrowing of

the backstop money. Of course, the Court found that as a major factor in approving the USG deal and the commitment fee. We now understand the differences between the deal, between JP Morgan and Berkshire Hathaway and certainly the arrangement that -- or the -- how they put forth how JP Morgan is subject to regulatory -- subject to regulations, provides us some comfort on that issue. Secondly, here we are dealing with a group of investors instead of the one investor in USG. I think that issue is tempered by the fact that the debtors have put forth today that JP Morgan is solely liable and that debtors can look solely to JP Morgan if something happens with this deal. Finally, we indicated the no hell of high water provisions. We were concerned with the investor, JP Morgan, possibly getting out of this deal. The debtors have assured us from a market type perspective that they have negotiated as many outs as possible out of this deal, and that JP Morgan is assuming a huge risk again provides us comfort on this issue.

Your Honor, we did have to distinct other objections. We've already addressed the first one, and that being the fees and expenses of the attorneys. We certainly were going to request that Your Honor set up some type of process for Court approval of those fees and expenses, and it appears we have done so. It may need some tinkering, I think, with the order, because we're -- it's different -- a different type of process than what is set out in the initial agreement, but as the Court

has proposed and as the parties it appears have agreed, I think we can agree with that process.

Finally, we indicated the release and exculpation provisions. Your Honor, we were concerned that there wouldn't be -- we were concerned with far-reaching on those particular provisions. We don't want to see, quote, unquote, confirmation type releases happening here. It's my understanding that the releases are solely related to this particular transaction, that being the rights offering and the Equity Commitment Agreement, and provided that that is the case, we have no objection to the release provisions -- to release provisions like that. Therefore, Your Honor, that's the end of my presentation. While I'm not withdrawing the objection, per se, I think these comments can be instructive and help the Court in making its decision.

THE COURT: All right. Thank you.

MR. KLAUDER: Thank you.

MR. NEAL: Your Honor, Guy Neal for the debtors. Just to quickly confirm the final two points raised by Mr. Klauder, that we, I think, are in full agreement on. First, the fees and expenses mechanism, as described by Mr. Thompson as well, we're prepared to work out an arrangement in the proposed form of order that will reflect an arrangement that's been consistent, perhaps, relating to the banks but also this Court's review of the reasonableness of those fees. Second,

the release and exculpation provisions I just want to point out, we believe, and the debtors maintain that the existing form of the order is clear that the release and exculpation is related solely to such parties' participation and the transactions contemplated by the Equity Commitment Agreement and the syndication agreement, and any activities arising therefrom. So, they are limited in the respect that Mr. Klauder states. We just wanted to confirm that.

THE COURT: Okay. I think that can be clarified in an order too, so that the U.S. Trustee's Office is comfortable that the order does, in fact, say that they are limited to the specifics of this transaction. I think the agreement --

MR. NEAL: Very well. We'll run the order back by Mr. Klauder again --

THE COURT: Okay.

MR. NEAL: -- before it's submitted.

THE COURT: I think you need to do that with respect to the fees and expense issue anyway.

MR. NEAL: Very good.

THE COURT: All right. Mr. Kress?

MR. KRESS: We agree, Your Honor, that obviously the Equity Commitment Agreement is a key part of the negotiated settlement, but that has been reached. But likewise, Your Honor, there are other key aspects of that settlement agreement which have to be approved by the investor, JP Morgan, the

futures representative, the ACC, as well as the backstop providers, and those include what is called the collar agreements and the registration rights agreement. Unfortunately, Your Honor, during the six-and-a-half week period we had from the time the settlement agreement was reached, until just last week we have not seen any of those documents and we got them for the first time last week. Within 72 hours the futures representative and the ACC submitted a detailed comment. We had our first negotiating session Tuesday, which I would say is productive, Your Honor. Progress was made. However, we're not there yet. We do not have final agreements on the collars. We do not have final agreement on the registration rights agreement. We did get revised documents last night, obviously not -- did not have an opportunity to see if they have raised new issues. And the concern we have, Your Honor, is very simple, that unless those agreements are negotiated satisfactory to the parties, which would be the investor, the future rep, the company, the ACC, as well as the backstop providers, there really isn't a deal. And to allow the company to pay $100 million non-refundable deposit, unless the parties can actually say to this Court, yes, the deal is done, we're ready to go, it seems is not in the best interest of all creditors and the estate, and therefore while this is not -- should not be deemed an objection, per se, to the terms of the equity commitment

agreement because obviously it is a key part of the deal, we do believe, Your Honor, that any payment of the $100 million fees, and preferably the entry of the order should be conditioned upon there being final agreement reached on the two key sets of documents that have to be agreed to for there to be a deal in this case.

THE COURT: All right. Mr. Neal?

MR. NEAL: If you can give me just 20 seconds, Your Honor?

(Pause)

MR. NEAL: Your Honor, for the record, Guy Neal again. Your Honor, we have tried to resolve, right outside the courtroom immediately before Your Honor took the bench, Mr. Kress's concerns and it relates to the interplay of a couple things, Your Honor. First and foremost certainly is the terminable event of this equity commitment agreement if an order is not entered by June 30th. We've already moved this hearing from the 19th to today to allow for more time, and we were hopeful, we thought we would get there.

THE COURT: Well, you've got a week.

MR. NEAL: We've got a week, Your Honor. It might make sense for two things, Your Honor. First, if we could explore your potential availability perhaps by phone next week, number one, and then take a brief adjournment and try to see how we could work out Mr. Kress's concerns. One avenue to

proceed, and I'm not sure we're all in agreement on it just yet, Your Honor, is perhaps to have a hearing date, a telephonic hearing date slotted for Friday, which I believe is the 30th --

THE COURT: I can't do it Friday. I'm going to be traveling to Denver. I can do it Thursday at some point, but I'm going to be on a plane, and, you know, given the weather, I'm not sure when and how --

MR. NEAL: Well, Your Honor, before we commit to that, we could have -- Thursday is a realistic possibility is what Your Honor is saying?

THE COURT: Thursday is realistic, but I need to tell you when, so just a second.

MR. NEAL: Okay. Very good.

THE COURT: It might be midnight, but -- we'll see here.

MR. PERNICK: Be careful what you promise, Your Honor.

THE COURT: Midnight on Wednesday, Mr. Pernick.

MR. PERNICK: Much better.

MR. NEAL: To the extent it matters, Your Honor, we believe that the conference would be very brief.

THE COURT: Well, it looks as though my first motion on motions day doesn't start until 9:15, so maybe we could start at 9:00 Thursday morning. I have a really, as you may

imagine, jammed schedule that day since I'm going to be out of town the following day, and the afternoon is tied up with Pittsburgh Corning and NARCO and GIT.

MR. NEAL: And before we adjourn, that would be telephonic, right, Your Honor?

THE COURT: Telephonic is fine.

MR. NEAL: All right. Very good. Your Honor, if we could just have maybe 15 minutes, with the Court's indulgence?

THE COURT: All right.

MR. NEAL: Thank you so much.

THE COURT: We're in recess.

(Recess)

THE CLERK: All rise.

THE COURT: Please be seated. Mr. Neal?

MR. NEAL: Yes, Your Honor. I believe when you left the bench, Your Honor -- Guy Neal for the record. When you left the bench, I think Mr. Lockwood had a comment to make regarding scheduling of next Thursday.

THE COURT: Okay.

MR. NEAL: He's here by phone.

THE COURT: Mr. Lockwood?

MR. LOCKWOOD: Your Honor, it had to do with your statement that Thursday afternoon matters were Pittsburgh Corning and NARCO/GIT?

THE COURT: Yes.

MR. LOCKWOOD: As you know, I'm involved with both of those. I have the agendas for those two hearings, the second one being the amended agenda for the GIT hearing, which is the later of the two beginning at two. The Pittsburgh Corning hearing, you know, as Your Honor knows, is basically nothing but status conferences on some motions, and that's scheduled for an hour, and based on past experience and the matters on the agenda, it doesn't sound like that's going to take up a heck of a lot more time than an hour, if that. The GIT/NARCO is likewise status conferences, and albeit one of them has to do with the adjourned confirmation hearing, based on my own personal knowledge there's not going to be an extended discussion of where that's going for the moment. And so, I just wanted to observe, it seemed to me it would be pretty likely that Your Honor would be likely, depending on how early Your Honor has to leave the bench that day, and assuming that there's nothing else on that Your Honor might be able -- would highly likely have some time, you know, 4:30, five o'clock, or something like that, for a short call, if that's all this is going to take.

THE COURT: I have an appointment that's in another -- one of the suburbs in the city at six o'clock, Mr. Lockwood, so I'm going to have to leave probably by five at the very latest, and maybe a few minutes earlier depending on what the weather is like and how traffic is going to be that day, so,

you know, if you're telling me that we can be done by -- done with PCC, NARCO and GIT by three, we could do this at three. Otherwise I think we're probably safer at nine.

MR. LOCKWOOD: Three I think is -- I couldn't make that sort of a representation, particularly not without counsel for those debtors around, but my impression from hearing the parties talk is that they're not looking for, you know, a two hour hearing Thursday. They're looking more for a much shorter period of time, but I'll let Mr. Neal and his compatriots address that.

THE COURT: Mr. Lockwood, I'm going to ask my clerk. Maybe she can go give Mr. Ziegler a call while we're on the phone, because he's usually pretty good at estimating the time frames, too, so she'll go make a phone call and come back and see whether he confirms your understanding, and maybe we can --

MR. LOCKWOOD: Yes. Well, my understanding, as I say, it would be likely to be over by four, or something like that. If you really think we're going to need -- if the parties think we're going to need a two hour hearing, then I think we've got a lot bigger problems than that, since you were talking about only giving us from nine until 9:30.

THE COURT: Nine to 9:15.

MR. LOCKWOOD: Even worse.

MR. NEAL: Your Honor, if I may speak to that briefly, Your Honor? We would think that four o'clock, for

instance, would be appropriate, subject to confirming with other debtors' counsel. But, Your Honor, as a point of clarification, Your Honor, subject to the resolution of Mr. Kress's concerns and the two points with respect to the order, with respect to the U.S. Trustee, that being the fees and expenses of the professionals and perhaps a clarification on the release and exculpation provisions, it's our understanding, Your Honor, maybe I should ask in a more affirmative way, is that the Court's proposal to enter the order, Your Honor, such that the hearing on Thursday can simply be whether or not we have resolved the U.S. Trustee's points on the order and Mr. Kress's concerns.

THE COURT: Yes. I think from Mr. Klauder's recitation that concerning the exculpation and release provisions, if he's satisfied with what the agreement says without clarification in the order, then I don't know that it has to go into the order. If you'd prefer that the order simply clarify that those provisions relate only to the terms of this transaction and nothing further, that's an easy half of a sentence to put into the order. And with respect to the fees and expenses I think you'll be able to work out a process. I don't think that's going to cause a problem. Mr. Klauder?

MR. KLAUDER: Your Honor, David Klauder for the United States Trustee. Let me put the one issue to bed. I've looked at the order with the release language, and it's fine.

It's appropriate.

THE COURT: All right.

MR. KLAUDER: We have no issues with it.

THE COURT: Okay. That's fine. So then, you're down to the fees and expense issue, and I can't imagine, based on JP Morgan's agreement to have that submitted, that that's going to tie up this process. So, I think you're down to Mr. Kress's issue, and as soon as you folks tell me that they are resolved and show me what the final documents are, then I think I'm prepared to enter an order. If you can't resolve it and I have to have a hearing, then that -- you know, that's going to be a different issue. But I am sympathetic to Mr. Kress's concern that $100 million is a lot of money in absolute dollar terms, and until all of the documents are in place I'm not going to be entering an order that approves this transaction, so get it done.

MR. NEAL: Very well, Your Honor. We appreciate that -- event, and we think four o'clock would be, to the extent it works for Your Honor, an appropriate time.

THE COURT: Well, at four you get, you know, until let's say 4:50. Is that going to be enough, because -- if you've got it resolved you'll submit it on a --

UNIDENTIFIED ATTORNEY: We're either going to tell you, Your Honor, that we've reached agreement on the documents and we're ready to go, or we're going to tell you we're not

there.

THE COURT: Okay.

UNIDENTIFIED ATTORNEY: And presumably if we're not there we're going to have to talk among ourselves to decide how we're going to get there. Because obviously everyone is moving to try to get this done as quickly as we can, believe me, Your Honor. Unfortunately we've got these type of complicated, complex corporate transactions and documentation. It takes time, issues can come up.

THE COURT: Okay.

MR. NEAL: In the interim, Your Honor, it might make sense to turn to other housekeeping matters that Mr. Pernick has on the scheduling issues.

THE COURT: All right.

MR. PERNICK: Your Honor, I just have one housekeeping matter. In the spirit of sort of continuing what I think we all believe, at least on the debtors' side is an exciting march towards confirmation, we are planning on filing a motion to approve for exit financing purposes a commitment letter. It's in the final stages -- that deal is in the final stages of being negotiated, and we'd like to offer the Court two possible ways of doing this. One is if we could put it on for the July 24th hearing, and that would mean that the Court is shortening time somewhat to hear it. The other one is if the Court is uncomfortable with that, that we have some kind of

hearing date between the July and August hearing dates. And the reason for that is we don't believe the lenders will be able to start the syndication process until the commitment -- until the debtor is authorized to enter into it. And waiting until the end of August really makes it very tight and very difficult.

THE COURT: When are you going to file the documents? Shortened time means shortened by how much time?

MR. PERNICK: I think we could probably file them no later than Wednesday, which is the 28th, and I believe the July hearing is July 24th.

THE COURT: That's fine.

MR. PERNICK: Okay.

THE COURT: Okay. Mr. Ziegler apparently thinks that those three cases should be finished by three o'clock or shortly thereafter, Mr. Lockwood.

MR. LOCKWOOD: That certainly doesn't -- I would have no reason to disagree with that. I was convinced they would be done before four, so if he thinks it's even earlier than that, he's likely to have a little better information than I would.

THE COURT: So, I could schedule this -- if it's going to be by phone, I would suggest 3:30, maybe, because it probably won't -- well, I don't know -- I don't know whether I'll be finished exactly at three, so perhaps 3:30 would give you an hour and a half, roughly. That should surely be enough

time.

MR. NEAL: Very well, Your Honor. Thank you so much.

THE COURT: All right. So, Item 1 is continued to June the 29th at 3:30 by phone. I've forgotten, are you using Court Call?

MR. PERNICK: Yes.

THE COURT: Okay. So, we'll have the dial in number for that process. Are you -- if this is finished before then are you going to submit a final document on a C.O.C.?

MR. PERNICK: I think we would do that.

THE COURT: But are these portions going to be under seal? The --

UNIDENTIFIED ATTORNEY: The documents I was referring to?

THE COURT: Yes, sir.

UNIDENTIFIED ATTORNEY: Oh. They have to -- they will be attached to the plan, obviously have to be fully set forth in the disclosure statement.

THE COURT: Okay. So, they won't be under seal even for purposes of this motion?

UNIDENTIFIED ATTORNEY: No, no. There has to be full disclosure. These are key documents in terms of the registration of rights, for example, between the parties, and the collars, which have -- yes, all that is going to have to be disclosed.

THE COURT: Okay. Well, if you get them done before June 29th, so that you don't need this call, then I guess you could submit them on a certification and attach the new documents to them.

UNIDENTIFIED ATTORNEY: I think the only thing we would be submitting is the order approving the equity commitment agreement because those documents form part of the plan which would ultimately get approved as part of the confirmation order, Your Honor.

THE COURT: Okay. I still want to see them.

UNIDENTIFIED ATTORNEY: I understand. I'm just saying, Your Honor.

THE COURT: Okay.

MR. NEAL: I'm sorry, Your Honor. Guy Neal again. For clarification, I mean, to the extent we make Mr. Kress happy on these issues, are you expecting those documents to be attached in advance of the 3:30 hearing on Thursday?

THE COURT: Yes. If you can -- if you get them finished and can file them on a certification of counsel with an order that approves the agreement with these portions attached and that meets Mr. Klauder's concern with respect to the fees and expenses, I would expect just to approve that order at that time, because then there won't be any objections to the entry of the order and you won't need a hearing. If you --

MR. NEAL: Very good. To the extent, Your Honor, we have agreement in principle reached at 3:29 on Thursday on the documents but not the documents, we'll still go forward.

THE COURT: If the documents are not filed on a C.O.C., we're having a hearing.

MR. NEAL: Very good.

THE COURT: Okay. Because I'm going to want to know what the outcome is, so there will be a hearing unless, you know, by like, say, noon, because if you don't file them by noon, I won't know about them anyway. So, if you get them filed by noon, then I guess, Mr. Pernick, have someone call my chambers and let me know that they are there, because they obviously won't come across my desk that fast.

UNIDENTIFIED ATTORNEY: That's fine, Your Honor.

THE COURT: And we'll cancel the hearing. If they're not filed, then -- even if you've got an agreement in principle you can tell me that, because even if you have an agreement in principle, if you don't get an order entered the next day, and frankly that's not going to happen. So, it's either the 29th or it's not going to be until the following week some time.

MR. PERNICK: Okay. Your Honor, from the debtors' perspective we have nothing further. Again, we appreciate the Court continuing to help us move this towards confirmation.

THE COURT: Okay. Anyone else have any issues? Okay. This item is adjourned, then, until June 29th at 3:30 by

phone, and I will accept the order on the carryover matter from the hearing earlier this week on the Plan Support Agreement when I get it from you, Mr. Pernick, on a certification of counsel.

MR. PERNICK: Okay, Your Honor.

THE COURT: Okay. Thanks. We're adjourned.

MR. NEAL: Thank you.

MR. LOCKWOOD: Thank you, Your Honor.

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**C E R T I F I C A T I O N**

I, TAMMY DeRISI, court approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter and to the best of my ability.

/s/ Tammy DeRisi Date: June 27, 2006

TAMMY DeRISI

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